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PRACTICAL VIEWS
OF
PROTECTION:

BY
J. RICHARDS.

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Frank Eastman and Company, Printers, 509 Clay Street.
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HARD TIMES.

The following paragraph, recently clipped from a newspaper, comprehends the whole subject of "Protection:"

"It is well known to students of economic science that when an industry is artificially stimulated by Protection, the process sooner or later defeats the very object for which the Protection was in the first instance introduced. Protectionist manufacturers all the world over desire to be protected in order that prices may be maintained in the home market above the international level, and they succeed in persuading their workpeople that this is the same thing as ensuring high wages. In the end, however, the Protectionists find that the effect has been to cause a considerable increase in production, and consequently a considerable increase in the competition in the home market, and then ensues a fall of prices which is all the more severe as general prices in the protected country have, as a rule, been adjusted to the artificial standard."



PERSONAL.

Except the present chapter this little pamphlet will be written in the impersonal pronoun, and it is thought proper to set down here separately some account of the experience and observation on which my opinions are founded. This becomes necessary for the reason that anyone who ventures opinions opposed to protection is generally termed a "doctrinaire," and set down as wanting in practical views.

In 1878 and 1879 I prepared for the journal "Engineering," of London, a series of articles on "English Industry and American Competition." As might be supposed, the preparation of these articles for a journal of high standing, called for a careful examination of the subject from various points of view, and it was during that time that I first perceived the true effect of our tariff system. I was then, am now, and have been for twenty years directly interested in manufacturing in this country and in England—under a tariff and under free trade. I have been an exporter from America and an introducer of American manufactures in Europe, and have sent goods into the leading markets of the world from both countries. I introduced into Russia and Scandinavia American machines, tools, leather bands, and various other articles not before known or sold in those countries.

In 1879 we had in Manchester, England, a warehouse containing five hundred square yards of floor, devoted to the exhibition and sale of American machinery and engineering supplies. Down to this time, and for many years previous, there were from one hundred to one hundred and fifty men engaged in this country making the machinery and supplies required for this foreign trade.

In 1879, when the "boom" came, and prices, except wages, advanced from fifteen to fifty per cent., iron, the principal material used, advanced 100 per cent., and the whole of this work was stopped. The published prices in Europe could not be changed, and the American business was killed. The patterns,

drawings, and part of the tools employed in this country were boxed up and sent to England, where the same work was afterwards made in Birmingham and Manchester, and at this time employs more than two hundred men.

A new works of the most complete description, to accommodate four hundred workmen, has just been completed at Manchester, England, (Geo. Richards & Co.) and can be examined by any of our protectionist friends passing that way who want to see how a tariff "builds up industry."

I have spent years in endeavoring to introduce American manufactures abroad, and in this attempt have studied American industries from points of view not attainable in any other way.

In 1879 we were instructed by the Director of the Royal Arsenal in St. Petersburg, Russia, to construct in England a large plant of machines required in the arsenal, because, said he, "The cost of this work in America must be enhanced by at least the amount of the import duty on all material."

The opinions expressed in the pages that follow are deliberate and final respecting the effect of a protective tariff on skilled industry, and I doubt the expediency of anyone who wants to permanently engage in manufacturing, investing money in any country where there is such a tariff.

I might go on for pages recounting various circumstances which have led to these views. I have seen property of my own sink in value one-half in three years—from 1874 to 1877. I have had some of my best workmen come to my door begging clothing and food. The inferences drawn are the only ones I can fairly perceive, and of their truth I have no doubt.

Opinions honestly formed, irrespective of private personal ends, should always be treated with respect. I do not believe the protectionist doctrines in this country based on such opinions, at least not among the well informed. In this view the subject will be treated here.

J. R.

San Francisco, July, 1884.

PRACTICAL VIEWS OF PROTECTION.

CHAPTER I.

In the present chapter will be laid down certain postulates and propositions to be reviewed at more length in succeeding chapters.

A tariff on imports is a *method of taxation* by which the burden falls on consumption instead of wealth or property.

Protection in its restricted sense means the enhanced value of certain commodities caused by a tax on imports, giving to the producer of these commodities a price above their true value.

This protection is not against foreign imports, but against other untaxed industry at home ; the import tax is not paid by the foreign shipper, but by the consumer here.

In its broader sense, protection is discrimination of any kind by law in favor of certain persons or pursuits, whether by imposts, special tax, grants, concessions or privileges.

The government not being itself a producer of commodities and without power to change commercial values, can "protect" one industry only by taking from another industry.

The import tax, or that part of the cost of commodities in excess of their international value is, in the case of imported goods, paid into the national treasury ; in the case of domestic goods is paid to a protected class of manufacturers.

With a tax thus levied and frequently changed, the burden and benefits do not affect people equally ; the benefits go to the few and the burden to the many.

The enhanced values, caused by a tariff, appear mainly in material and expense, scarcely affecting wages ; hence the main burden of taxation falls on the poor.

The system is, in its inception, mainly a device of the rich and influential to shift national taxation from property to consumption. The protection part is a myth and a deception.

A tariff does not protect from foreign importation; if it did there would be no revenue. No one can reasonably show how an import tax will keep out foreign goods.

The higher the tariff the greater the imports and the more the revenue. Our imports are increasing at the rate of \$100,000,000 a year. The cost of living is increasing and wages diminishing.

Many manufactures are degraded and destroyed, as our foreign shipping has been, by protective laws. One has only to go into any trading shop to find two classes of goods.

From a pen-knife to a steamship and from a shoetie to a suit of clothes these imported goods command from twenty-five to fifty per cent. more than those produced at home.

Nothing but free competition in the neutral markets of the world can ever raise the standard of our products. It has done so wherever our goods have found their way to these markets.

A tariff presupposes a want of natural resources or a want of skill. Neither of these things are wanting in America—yet a tariff is an acknowledgment of such inferiority.

The corrupt administration of laws and official duties are an outgrowth of the protective system. Such corruption has, in all countries and in all ages, followed governmental trade restriction. Russia, the United States and Mexico are present examples.

The citizen cannot be expected to rise above his government in moral and political honesty. A disregard of personal right on the part of a government sanctions the same thing in a subject.

In California more than one-half of the accretion of wealth goes into the coffers of four men—the result of special grants and the evasion of laws. The result is a corrupt Legislature without the people's confidence—a judiciary brought into contempt, and all kinds of business, whenever possible, seeking "protection" and special legislation.

This protective legislation leads to speculation, overproduction and hard times, and this to idleness and the depression of wages.

These periods of hard times occur whenever values have been forced above an international standard. During such times the purchasing power of money is increased and those with accumulated wealth are not injured. The workman then loses his only power, that of withholding his labor, and, as in the mining districts of Pennsylvania at this time, he is forced to starve or become a slave.

The doctrine of protection includes the servility of labor, no matter what its advocates may profess. Their votes and influence is always given against any measure favoring the working man.

There are in this country 700,000 people working at "protected" industries, 2,000,000 work at unprotected industries, and 7,500,000 are engaged in unprotected agricultural pursuits. Thus the whole benefit of "protection," granting all its advocates claim for it, is confined to one person in thirteen. Thirteen persons pay away a fourth of all they expend to provide employment for one.

The honesty and fairness of such a tax is not believed in by any one. Travelers by the transatlantic lines know the common sentiment among American passengers respecting smuggling. If there is any one who condemns such a thing on the grounds of common honesty he is generally a believer in free trade. No people have ever regarded import duties as an honest method of taxation.

If all other evidence were wanting of the folly of trade restrictions the opinions of learned men skilled in economic science should be enough to condemn the system.

There is not at this time living, in any country, any man of eminence as an economist that does not condemn protection as a fallacy; defeating the very ends for which it is adopted.

CHAPTER II.

THE MORAL EFFECT OF PROTECTION.

The present corrupt state of our civil service is the greatest fact in the country's history. This disgraceful state of things is a legitimate result of protection and governmental interference with trade and commerce.

One hundred years ago the civil service of England was as bad or worse than it is in this country now. A reform began immediately when officers were removed from temptation, and the laws were framed to respect equal personal rights.

The co-relation between corrupt civil service and trade interference is proved by the history of every country in the past as well as by the circumstances of our own time.

Go over the civilized world and compare official dishonesty with protection. One measure applies to both. It is the natural and inevitable result.

We hear often of the demoralizing effect of standing armies, but their effect falls far short of the corruption that arises from a *sitting* army.

There is employed in the New York Custom House alone more than 1,500 persons, whose salaries aggregate \$2,000,000 a year and whose earnings, in many cases, depend on their dishonesty.

An officer of customs or a collector of special taxes has by common consent become a suspicious person whether he be in the United States, Russia, or Mexico.

Legislation is of two kinds—that which affects the commonwealth, and that which relates to private persons, corporations, or particular sections of the country. These two are “jumbled” together in both our State and National Legislatures, without distinction, and have become so confounded that people can not distinguish between a *public* and a *private* bill.

Protective legislation, always promoted by private influence and the lobby, passes in the guise of public measures. Deception and bribery are the natural result.

The following, by Mr. Ernest Werner, was taken from a San Francisco paper in July, 1883 :

"The single illustration of one steal of \$250,000 in this city in 1869, will serve—the story told by Lucien Curtis, who was connected with the Department in different capacities for nearly fourteen years, and which took place while he was Deputy Collector under Rawlins. In 1869 the Western Whiskey Ring were shipping to this Coast immense quantities of whiskey, principally from Cincinnati, St. Louis, and Chicago. It came to his knowledge that the distilleries in question were evading the United States taxes ; and acting on this knowledge, in July, 1869, he seized 3,000 barrels of whiskey consigned to two firms in this city. He examined the whiskey and found it to be what he found it to be at first—rectified spirit, upon which no tax had been paid. By the power of the ring this spirit was released. Lucien Curtis' offer in this case was (an offer by a prominent attorney of this city) \$25,000 in money and the Collectorship of this district, if he would draw out of the fight. The value of that whiskey was \$250,000.

"The frauds in this city are calculated to approximate \$1,500,000 and over, a little over two years, ending in 1869.

"The amount of the frauds committed almost stagger belief, amounting at San Francisco alone to about \$7,000,000, and a grand total in the States of over \$300,000,000.

"To illustrate : In Cincinnati, in 1867, one man made about \$8,000,000 by buying up most of the whiskey made in Ohio and exporting it from Mobile and New Orleans in vessels that had no existence, the government remitting the tax in such instances. This whiskey never left Ohio, and was sold all over the West.

"General Bristow's campaign shows the following result of the first year's prosecution of the Whiskey Ring : Value of property seized, \$1,500,000 ; value of assessment, \$1,400,000 ; suits on official bonds, \$250,000. Total, \$3,150,000.

"Criminal indictments as follows : Distillers and rectifiers, 95 ; Supervisors, 2 ; Revenue Agents, 5 ; Collectors, 2 ; Deputy Collectors, 8 ; Gaugers, 30 ; Storekeepers, 15 ; other persons, 19. A grand total of 176 persons ; convictions and pleas of guilty, 110 ; tried and acquitted, 17. The total expense to the Treasury Department did not exceed the sum of \$25,000."

Comment on this is not required. The shameful and debasing influence on other kinds of business can be imagined. It is the natural result of special taxation, and in popular ac-

ceptance belongs with the tariff, which taxes thirteen men in favor of one.

All remember the famous, or rather infamous, tax on matches recently repealed, but only a few know why such a tax has continued with an overflowing treasury.

The stamps that had to be affixed to the packages were furnished in sums of \$10,000 at a discount of fifteen per cent. Several firms entered into a combination to avail themselves of this concession, and the result was a destruction of the industry throughout the country except in the works of the firms comprising the "ring." No poor man or even a firm of average means could buy \$10,000 worth of stamps at one time, and could not of course pay fifteen per cent. more than his rich competitors—consequently had to stop. There was no reason for discounting the stamps. \$10,000 worth did not cost perhaps more than \$5 to print and prepare. It was purely a lobby scheme, and a government measure to create a monopoly and crush out small manufacturers.

As is always the case with a subsidized manufacture, matches became inferior in quality as they advanced in price. The flimsy paper boxes went to pieces, and the fulminate was "villainous."

During this time Swedish matches were imported in large quantities. These were made in a free trading country 7,000 miles away. Something more of these matches will be said in a future place.

The influence of such "protection" on private business is to produce unscrupulous methods and encourage that meanest of all villainy, the kind that shields itself under the technicalities of law made for honest people.

The idea of protection—that is the idea of living at the expense of some one else—goes farther than producing official and commercial roguery; it seems to hinder thought and prevent intellectual development.

New Jersey, while operating under the protective system of levying tolls upon those who traveled across the State; or in other words, when the people of other States paid the Jersey

taxes, there was but little energy or progress. The little State became a laughing stock. She had no men of eminence in science, economy or other branches of learning. Since the taxes of the State have been assessed on property New Jersey has wholly changed, and is now one of the most progressive States in the Union.

Pennsylvania, the great second State of the Union and stronghold of the Protectionist party, is another example. The current of thought there never seems to rise above narrow local expediency. During the time of the civil war and ever since, a period of twenty-four years, Pennsylvania has scarce produced a single man of eminence in the nation. At the present time who from that State can be named as eminent in the country?

Mexico and the Spanish-American countries are also examples of how protection and want of progress agree. Either may be a sequence of the other; it don't matter which way it is construed.

The fact is that to attain the method of thought which sanctions protective legislation is to shut out all but selfish views and prevent interest in human progress.

There can be but little moral sentiment in a country sustaining a tariff or other special tax that falls unequally on the people.

John Hancock, first President of the American Congress, was a smuggler, and, at the time of the outbreak of the revolution, was held in the sum of \$500,000 for smuggling merchandise.

Any one accustomed to foreign travel knows well the views passengers take of smuggling, especially the advocates of a tariff system. As before remarked, if anyone is found conscientious enough to avoid bringing in dutiable goods he will in nine cases out of ten be found a "free trader."

The whole idea of protection is selfish and debasing, is a scheme to live by the labor of others, and has for its highest moral claim the questionable defence of present expediency. It has nothing to do with philanthropy, equal rights, or the common good. It is selfish and only selfish.

CHAPTER III.

THE DOCTRINE OF PROTECTION.

The arguments in favor of protection—or argument as we should say, for there is only one—is that such a system encourages and builds up certain industries.

This assumption, if it were true, only amounts to robbing one part of a community in favor of another ; but *it is not true*.

The protectionist always begins his argument at that point ; he assumes that protection *has* built up our industries and then goes on to show the benefits of the industries thus created.

It is not difficult to trace the origin of this “building up” doctrine. The protectionist confounds the “building up” of his own fortune with that of a general industry.

There are thousands who believe our industries would be further advanced in both quantity and quality if there had never been a dollar of custom duty collected, and these people, as it happens, are among those most able to judge. They further believe that wages would be relatively higher, that we would be in a measure free from fluctuation in values and have an extended foreign commerce.

As before remarked, the protectionist ignores even the existence of such views, and begins with the opposite assumption, of which there is no proof nor cannot be.

We have comparatively no foreign commerce in manufactured commodities and no shipping to carry what little there is. Many of our manufactures are inferior and have shown no improvement for years. Wages are lower in many kinds of industry than in Europe. We are importing \$800,000,000 worth of goods annually, and the amount is increasing, but these things go for nothing in the protection faith. More protection !! is the only remedy proposed.

The doctrine of protection is founded on widely differing grounds ; the interest of those who are wise enough to understand how it promotes their private ends,—a belief among the less informed that a tariff keeps out foreign goods, and a

further belief, among the still less informed, that the duty on imported goods is paid by the people who send them here.

These two last named "tenets" constitute a grave charge against common intelligence ; yet if such belief was taken away the whole fabric of protection would fall for want of popular support.

It is these beliefs that cause the popular vote in favor of a tariff. Not one person in ten in this or any other country is able to understand the subtleties of these subjects.

They are like the old doctrine of "sending money out of the country," which formed a staple of political economy during what we may call the dark ages of that science.

When people came to understand that money could not well be sent out of the country without something coming back or leaving something in return, and that something was generally of more importance than money, the doctrine fell into ridicule.

Even the partisan newspapers fear to longer talk of "sending money out of the country," and find a way out of the dilemma by claiming the money is spent for "useless luxuries"—a safe argument to most of their followers, who do not trouble themselves to inquire what these luxuries are.

By reference to statistics easy of access, it may be seen these luxuries consist mainly of woollen cloth that does not fade, of steel, iron, copper, pottery, sugar, underwear, and such like.

The protection following in this country corresponds in many respects to the monarchic party in the old world. There the allies of the crown are the lowest classes, who have nothing to lose and need the royal favor to live. The opposite party is the one who dares to think ; the middle classes who own the property and conduct commerce and manufactures.

In this country the protection party consists of those shrewd enough to understand its operations in their favor, and those who are ignorant enough to accept the sophisms of the first class.

No doctrine or system of policy was ever defended so much by false assumption and mendacity. Mr. Blaine, a candidate for the presidency, has in a public way claimed that the money

paid for packet service by the British government was a subsidy to the companies. Ignorance will scarce excuse such a statement, because Mr. Blaine must know that such service is open to any competitor and is moreover not confined to British subjects even. The German lines carry mails weekly and are paid for packet service the same as a British company. The packet service is postal service, and is by no means overpaid, considering the conditions imposed.

Mr. Kelley, one of the intellectual lights of the great protection State, thinks, or says, the Cobden Club of England has sent a million dollars to this country to promote free trade ideas. Some other people in this country, Mr. Kelley's equals in a knowledge of the matter, not to mention honesty, says the Cobden Club never sent a dollar here or elsewhere for any such purpose. This latter is the truth. The Cobden Club is composed of some of the most honorable and highminded men in England, and their influences and researches have no more to do with English trade than with the trade of Brazil. The principles they advocate have nothing to do with any particular country. Their total income is no more than \$15,000 a year, all of which, and more sometimes, is expended in rent and the ordinary expenses of a private society.

The members do not think like Senator Logan: "As well might you take a cast of the Alps and try to fit it over the Alleghanies as to apply principles of European economics to this country." The Senator does not often use anything less than a range of mountains in his figures of speech, perhaps to detract attention from the grammar.

Charles Francis Adams, some years ago, in an essay on the celebrated currency debate, during which the above proposition in economics was laid down by Gen. Logan, used the following language, applicable alike to that debate as well as all the protection harangues that have followed. He said: "Such vile sophistry, clothed in still viler rhetoric, has never been heard outside a lunatic asylum, and should constitute a matter of special wonder to ourselves, as it doubtless will to all succeeding generations."

The protection doctrine is well illustrated by the following : An old New England manufacturer, to illustrate the benefits of protection, drew a pathetic picture of a village in his country that had sprung up around a manufactory. After describing the gains of the owners and the thrift of the people, all of which he assumed as the result of the tariff, he settled the other side of the question by saying, "What if the workmen had once a year to give two prices for a coat?"

All have heard this argument or something like it, and it was a "settler" at the time to most of the listeners. It was and is a sample and staple form of protection argument.

It did not occur to this New England manufacturer that a man might want two coats in a year, perhaps two whole suits of clothes. His family might also want some things—some table ware for example, taxed 55 per cent—all of which would consume the whole of the man's wages, a third or more of which would be protective tax.

Neither did it occur to him that the thriving village and the factory itself might take the form of a discriminating tax, levied on people in other parts of the country; and least of all did he ever think that the factory and village *might* have been built without a tariff on a much more permanent basis and without injustice to other interests.

Such arguments are unworthy of notice or comment. They are selfish and imbecile.

CHAPTER IV.

PROTECTION AND WAGES.

Senator Miller, of California, in a speech on the Chinese emigration bill, pointed out that protection to be just should protect labor as well as the products of labor.

It is useless to argue the fairness of this proposition. "The pauper labor of Europe" has been one of the strongest catch-words of the protection party in this country. They have always expressed the greatest dread of such labor in Europe, but do not seem to have the least aversion to it in this country.

It is useless to discuss the position of the protection party with respect to servile labor. The arguments and votes on the Chinese bill are not forgotten.

Taking the whole country from Maine to California, there can scarce be found a man active in the depression of wages, or the introduction of ignorant pauper labor, that is not a protectionist. The mines of Pennsylvania have been filled with the off-scourings of Europe at seventy cents a day. The cotton mills of New England, once filled with respectable American girls, are now operated by contract peasants from Europe and a similar class from Canada.

This contract pauper labor is being sought for by American protectionists in all parts of the old world. The scheme is being tried in various kinds of industry, and will extend to all unless checked by legislative enactment.

The servility of labor is one of the tenets of protection. High price material and expense demands low wages, otherwise manufactures must stop.

Over-production, the natural result of a tariff, takes away from workmen the only power they have of defending their labor—that is, withholding it. The workman is powerless when his work is not wanted, or can be dispensed with even for a short time. This is the means depended upon to force down wages, and it is constantly being applied.

A constant and regular demand for manufactured products is

the only thing to keep up the price of labor; and such a demand can exist only when a nation sells its products in the markets of the world.

In England the price of material has been constantly declining for fifty years past, and wages have been as constantly advancing, until they are at the present time 50 per cent. higher than on the continent, where there is protection, and in many industries are higher than in this country.

High wages and cheap material are the constant rule for cheap production. The manufactures of the whole civilized world can be measured by this rule. It applies not only to old but to new countries. New South Wales, for example, is a free-trading country where skilled industries are prospering at a greater rate than in this country. Wages are relatively higher than here. The country is prosperous; has no debt except for railways; taxation is scarce felt, and the civil service is pure.

Victoria, a sister colony, with similar natural and other resources, is trying the American method of protection, with a result that the future will show. Thus far it has given but poor promise, although the penalty is not yet reached.

At the present time the average wages in mechanical, mining, and agricultural industry in the United States is \$1.20 per diem, and is nearly fifty per cent. less than in 1860. In the meantime the cost of living has advanced twenty to twenty-five per cent; so the total reduction in wages in twenty-four years is more than one-third.

The American consul at Manchester, England, in his report for 1882, gives the average yearly earnings of the workpeople in cotton mills there at \$250. At Fall River, Massachusetts, the average wages during the same year was \$244. The difference of ten per cent. in the hours worked and the difference in the cost of living in the two cases show the wages in England to be for that year twenty per cent. more there than here. Since then wages have been reduced five per cent. in England and twenty per cent here. So the difference is greater still.

The New York "Tribune" has recently sent a commissioner, a Mr. Potter, to Europe to gather facts relating to wages and the evil effects of free trade! Mr. Potter was Secretary to the celebrated Tariff Commission, and the medium through which he sees things and the accounts he gives are like "Young's Labor Statistics"—electioneering documents. They go only to show what has been before claimed, that no political creed was ever before sustained so much by falsehood.

The increase in wages in England during fifty years past is seventy per cent. This is proved by careful statistics taken in various industries in twelve of the principal cities, by Mr. Griffin, President of Statistical Society, during the present year. Such statistics compiled do not go unchallenged in England, and are true beyond dispute.

"Young's Labor Statistics," an expensive work prepared and printed at government expense, gives the rate of wages paid in the skilled iron industries in England, but neglects to say that the wages do not represent the earnings of the men.

Take the well known works of Messrs. Tangye, at Birmingham, for example, where there are 1,500 men employed. All work of every kind is made to estimates, and the surplusage divided among the men, even apprentices getting their share. The weekly wages are paid, charged to the men and also to the work, and when a job is completed the difference between the pay-roll account and the estimate price of the work is divided pro rata among all who worked on the job, in proportion to their time and weekly rate.

This is the custom in all the leading machine works where skilled men are employed, and the weekly earnings may be and often are twenty per cent. more than the pay-roll rate. The day's work is nine hours instead of ten, making another difference of ten per cent.

It is, however, useless to spend time and space in commenting on protection statistics. They are prepared for a class who are not as a rule given to investigation. The protection system in the very nature of things favors servile pauper labor as it does a distinction of classes.

We have in this country a large and increasing class of people who believe and say, when they can do so safely, that the masses are created to labor for those blest with brains and opportunity. This is the doctrine of the shoddy class who acquire wealth by accident or unscrupulousness. Every year the doctrine is becoming more openly affirmed. It is the corollary of protection—another phase of the proposition that whatever is legally acquired is honestly acquired.

Mr. David A. Wells, in a recent speech, used the following prophetic words :

“ We are gathering into this country a vast body of foreign laborers of a very low class, whose wages, under the protective system, must necessarily be small; and whose turbulent discontent we have no proper means of coping with. They are turning out increasing quantities of goods, to the consumption of which our own population is inadequate, and we have no foreign markets, and our tariff prevents our finding any, for our surplus. The chances are, therefore, that the final and complete breakdown of the protective system will come through the sufferings of the laborers, for whose comfort protectionists pretend that the tariff is framed.”

The strikes in the United States during the first six months of 1884 included 1,500,000 people. The breach between capital and labor is widening, and the penalty of privilege and protection is “ piling up ” against a day of suffering, if not one of wrath.

CHAPTER V.

PROTECTIVE NAVIGATION LAWS.

Mr. David A. Wells, in his "Merchant Marine," published in 1882, says in his preface:—

"The expulsion of the Moors and Jews from Spain, and the repeal of the Edict of Nantes, which deprived France of her best artisans and industries, have been accepted by all historians and economists as the most striking examples, in modern times, of great national disaster and decay, directly contingent on unwise and stupid, but at the same time deliberately adopted, State policies.

"It has been reserved for the United States, claiming to be one of the most enlightened and liberal nations of the world, after an experience of near three hundred years since, the occurrence of the above precedents, to furnish a third and equally striking and parallel example of results, contingent in like causes, in the decay and almost annihilation of her Merchant Marine and Ocean Carrying Trade—a branch of her domestic industry that formerly ranked, in importance, second only to her agriculture."

What a terrible charge is this against the protective system! and yet as true as honest deduction from plain logical premises can be made.

No one of any ability or with least success has attempted to dispute Mr. Wells' propositions. His book is true, and is recommended to all who are inquiring after the truth or feel any interest in the degraded state of our foreign shipping interest.

It is not a popular book and will not, as a rule, be found in book stores, but can be procured from the publishers, Messrs. G. P. Putnam & Sons, New York.

Our foreign ocean carrying trade will, at its present rate of decadence, disappear wholly about 1890.

It is a common opinion among those not informed respecting the decline of American shipping, that it was caused by the war, and that our ships were transferred to other flags to escape capture.

This will do for a protection story, but is not true. The decline in our shipping interest, since 1855, has been quite regular.

The transfer of many ships during the war, added something—took away something, to be more exact—but the decadence since 1855 has, on the whole, been regular.

Our shipping interest has died of protection. Some might say, why has this industry died and not others? The answer is: We have no such thorough protection for anything else. An American citizen may purchase anything in a foreign country and bring it here, except obscene books or ships. Other things are taxed, but ships are prohibited, as will presently be explained.

In 1861 our shipping almost equaled that of Great Britain, and, aside from that country, came near equaling that of the whole world.

The industry required to produce this shipping and keep it in repair, and to furnish vessels sold, was \$30,000,000, annually. Supposing this to be half labor and half material, and wages to be \$3 00 a day, then 15,000 skilled men have lost their calling during twenty-five years past. But this is not all, nor is it half. The loss of carriage and the wages of sailors has been estimated at \$100,000,000 a year, 25,000 men have been thrown out of employment or driven to other countries or callings.

This is protection!! Protection of who? John Roach and less than half a dozen more like him who own as many unimportant, illy equipped ship-yards, and, like him, are foremost among those engaged in forcing down wages in this country.

As remarked, in 1861 the shipping of this country and Great Britain was nearly equal, each having about 5,000,000 tons. Now Great Britain has 15,000,000 tons and the United States 1,000,000 tons engaged in foreign trade.

In 1881 out of 72,000,000 bushels of wheat shipped from New York not one bushel was sent out in an American vessel.

During the period above named every other country has added to their shipping. Spain, Portugal and Russia have increased theirs 300 per cent. At present the Chinese have more steam vessels in foreign trade than the United States.

The germ of our navigation laws dates from 1787, when they were instituted to protect New England in her West India traffic, or rather in her rum and slave traffic. These laws were an in-

famous bargain between slaveholders at the South and ship-owners at the North, laws are such as other commercial nations discarded a hundred years ago, and are founded on the same philosophy that lies at the bottom of our present protective system.

There is not space here to explain much of the present navigation laws. The following are, however, some of the principal features :

Every vessel in foreign trade must pay a special annual tax of thirty cents a ton, whether in service or not. This law was enacted in 1862. It is equal to a tax of from two to three per cent. on the poorer class of vessels.

Foreign vessels pay the same tonnage tax, but if a foreigner owns any share in an American built vessel then the tax is sixty cents a ton.

If an American citizen resides usually abroad, although his business is in this country, any vessel in which he is in any part owner loses register even though built in this country.

Every one obtaining register for a vessel must make oath that no one not a citizen of this country owns any share of the ship.

No vessel owned in whole or in part by a foreign firm can carry between American ports, not even between San Francisco and New York.

A vessel once sold to a foreign firm cannot be bought back again by any one and become American property.

Foreign vessels coming here in distress cannot bring duplicate parts from home, nor import anything to replace what has been destroyed, without paying duty.

If any repairing is done to an American vessel abroad, duty must be paid on such repairs after the vessel returns home.

If a foreign vessel brings new sheathing into an American port American workmen cannot put it on unless duty is paid on the copper.

These sections, and a score more of the same tenor, are to protect American shipping and the art of ship building. How they have protected it everyone knows. Let the same protection be thrown over any industry—railways for example—how long would they prosper ?

A line of vessels is now run from San Francisco to Yokohama, all said to be leased from a British company. These vessels no doubt belong in this country, as do many others, transferred to some foreign firm or persons to evade local taxation and other discriminations.

Such laws, besides destroying home industry, make rogues and liars of men who might otherwise be honest.

CHAPTER VI.

PROTECTION AND MONOPOLY.

Monopolies are only a form of protection. Certain persons, firms or corporations are endowed with privileges, or are permitted to assume privileges, not enjoyed by people generally, just as certain manufactures or commodities are enhanced in price by a tariff and other impediments to trade, competition is shut out and the public are confined to one source of supply.

If there is any doubt as to the identity of protection and monopoly, let one single fact prove it. Those interested in monopolies are all protectionists. There will scarce be an example found in this country, of any one protected in some special business, that does not advocate the principle as a national policy.

When tariff laws do not form sufficient protection, patents are resorted to, and a bureau of the government, intended to foster inventions, is turned into an oppressive power to prevent competition and foster monopoly.

Sewing machines are an example. This manufacture was, for a long time, well protected. The American people, for having introduced such machines, were permitted to pay two prices for every machine they bought. Machines costing \$14 to manufacture here sold here at \$85, and in London at \$35. It was a well protected manufacture, so well protected that improvements would have ceased had it not been for the competition in the home market among the members of the combination. As it was, one firm, Wheeler & Wilson, had a distinct patent on the revolving shuttle, and being more protected than the others, made no change or improvement to speak of in fifteen years. When their patent expired and they were in danger of competition, there was soon a new Wheeler & Wilson machine.

Any one, not of the combination, engaging in sewing machine manufacture, was sued for infringement. It made not the slightest difference whether there was real infringement or not; a complaint filed had to be answered, and as soon as one case was disposed of another began. Prominent lawyers were retained and ready to pounce on any one who made sewing machines

outside the ring or combination. In this way not less than \$10,000,000 has been swindled out of people in this country, in most cases from poor people who most need sewing machines. To assume that the manufacture would not have been developed without this protection is nonsense. The chances are that with fair competition a single year would have improved sewing machines more than ten years of monopoly.

Steam pump manufacture was another case of protection by combination, now happily broken up. It was, as in the case of sewing machines, guarded by retained lawyers and a fund for litigation.

Nearly every distinct industry or branch of industry, is passing into a form of combination for "protection," as they call it; glass, tacks, crockery and coal oil furnish present examples.

As before remarked, such monopolies are born of and sustained by the same sentiments and the same people who favor a protective tariff. One can travel over the whole country, from Maine to California, and, without previous knowledge, pick out the tariff men by the nature of their interests. Wherever there is discrimination or privilege there will be found the "protective idea."

Looking back a hundred years in the history of this country and tracing the protective spirit, or class legislation as it may be called, it forms a connected chain down through Federalist, Whig and Republican parties, and always with its head and source in New England, until the iron interest of Pennsylvania added that State to the school.

The bargain which, in 1787, gave slavery to the South and imposts and tonnage tax to New England, was an unholy compact that in turn produced our civil war, and has left a still lasting legacy in the disregard of common or personal rights which permits official corruption. It has yet a penalty to exact in a return to international values. Come what will the country must suffer long and suffering prostration among the poor. Every decline in prices means a suspension of business and distrust of securities. To posterity will belong the problem of determining the extent of the evil wrought in the United States by class legislation and discriminating taxation.

CHAPTER VII.

TRUE PROTECTION.

Protection in its true sense is desirable, but such protection does not come from legislation or by impost laws. It is the result of skill, natural resources and free competition.

As before explained no impost can be levied or subsidies paid in favor of one manufacture or industry without taking them from another; this is evident. Such a method is not protection; on the contrary is exposure.

We have a tariff and are not protected; \$800,000,000 worth of imported goods come in yearly, notwithstanding vexatious impediments of every kind that are adopted to hinder such trade. England has no tariff and is a protected country; so well protected that she can defy any one to import there, for any length of time, any manufactured article for which the country furnishes natural resources.

If one goes into a trading store in England nearly every article there will be found of domestic manufacture, and that always the best. There may be for a time things taken there and sold, but such things are soon produced at home and the importation ceases. This, too, without prejudice in favor of home manufactures, because a British merchant would as soon buy in Belgium or America as at home, if anything were to be gained.

British protection depends to a great extent on American protection. Our tariff protects the markets of the world to British commerce, which now equals forty-nine per cent. of that done in the world.

The cry of British gold to break down the tariff in this country is the weakest of many weak lies invented to work on people's prejudices. Not one manufacturer in twenty in England wants to see free trade in America. On the contrary it is dreaded. The English have no other country to fear so much, and the decline in prices and consequent springing up of American foreign trade in 1878 and 1879 created a scare in England that is well remembered. These facts are gathered by personal conversation

with English manufacturers and an intimate knowledge of opinions there among the well informed.

The position of England respecting free trade is not understood in this country, and is continually misrepresented. There are Protectionists there as there are Socialists in Germany, Nihilists in Russia and Communists in France—men who constitute a faction and who want to see *their* interests protected. The sentiment of the country favors free trade as a true principle of national economics and without reference to England's expediency.

This is a view of the case not easy to understand by the Protectionist party of this country. They have no ideas beyond present expediency and attempt no arguments beyond that standard. One scarcely ever hears in England an argument on the subject based upon English interests. It is not discussed on that ground. The subject is a philosophical one, wider than any country's interests, and is discussed as such.

The manufacture of matches in Sweden, mentioned in a previous chapter, is a protected industry, protected by skill and cheap production. One factory at Jonkoping, employs two thousand people, not paupers nor like paupers, but people whose children are taught in four languages at public schools. The markets of China and Japan are almost wholly supplied with matches from Sweden.

True protection is that which, by resources and skill, defies the world and conquers in fair competition. No other protection can protect. No other system will produce cheap material and high wages, and was it not for the extraordinary natural resources of this country—land without boundary, and food without measure—the pernicious system of special legislation would long ago have ruined our industries.

Our example of a republican form of government has reacted in a wonderful degree upon the old world, and our tariff system has had a similar influence—more marked still has it been on Mexico, the South American States and British America.

Protection and its results is the one blotch upon American civilization that it remains for her best citizens to remove. The

penalty will be a severe one. Years of depression and falling values must ensue. Economic laws are inexorable, and a half century of mistaken policy cannot be balanced by a change of that policy. The full penalty must be paid. A part of it has been discharged in a ruined foreign commerce, a loss of our second greatest industry, the corruption of our civil service, periodical hard times and a growing derangement of the whole political system.



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